GOVERNMENT OF INDIA
CHEMICALS AND FERTILIZERS
LOK SABHA

STARRED QUESTION NO:337
ANSWERED ON:20.03.2001
FERTILISER INDUSTRY
UMMAREDDY VENKATESWARLU

Will the Minister of CHEMICALS AND FERTILIZERS be pleased to state:

(a) whether the Government have worked out any package for the upgradation and modernisation of the fertiliser industry to make it competitive and viable;

(b) if so, the details thereof;

(c) whether the Government are aware of the problems of feedstock, raw material and intermediates used in the fertiliser production;

(d) if so, the major causes of high prices of such inputs; and

(e) the steps proposed to be taken to reduce the cost of inputs for the fertiliser sector?

Answer

THE MINISTER OF CHEMICALS AND FERTILIZERS (SHRI SUKHDEV SINGH DHINDSA)

(a) to (e): A statement is laid on the table of the House.

Statement referred to in reply to parts (a) to (e) of Lok Sabha Starred Question No. 337 to be answered on 20.3.2001

(a) & (b): No separate package for upgradation and modernization of fertilizer plants has been worked out by the Government. However, a plan budgetary support is provided to financially weak public sector fertilizer undertakings for replacement and renewal of their critical plant and machinery. Amount provided for this purpose during 2000-01 (Revised Estimates) is Rs. 164.80 crore. In addition, import of capital goods required for upgradation and modernization schemes of fertilizer plants, which are accorded Techno-Economic Clearance by the Government, is allowed at a concessional rate of customduty. Indigenous suppliers of capital goods for such schemes are also eligible for deemed export benefits, provided such supplies are made under the procedure of international competitive bidding. These measures add to the competitiveness and viability of fertilizer plants by reduction in capital cost of such schemes to a limited extent.

(c) to (e) : Yes, Sir. Paucity of indigenous raw materials and high cost of feed stock/intermediates are the main problems faced by the fertilizer industry. Of the three main nutrients required for various crops − nitrogen, phosphate and potash, indigenous raw materials are mainly available for nitrogen. The Government's policy has aimed at achieving the maximum possible degree of self sufficiency in the production of nitrogenous fertilizers based on utilization of indigenous feed stock. However ,in the case of phosphatic fertilizers, lack of availability of indigenous raw materials constrains the attainment of any degree of self sufficiency. Recognizing this, a deliberate policy mix has been adopted which involves the modulation of three options :
(i) domestic production based on indigenous/imported rock phosphate and imported sulphur;
(ii) domestic production based on imported intermediates viz. Ammonia and phosphoric acid; and
(iii) import of finished fertilizer, viz. Di-ammonium phosphate and rarely, Mono-ammonium phosphate. As regards potassic fertilizers, there are no known commercially exploitable reserves of potash in the country and per force, the entire requirement of potash for direct applications, as well as for production of complex fertilizers is met through imports.

The prices of feed stock and inputs/intermediates vary from country to country and time to time, depending upon the international demand and supply position, cost of production and other factors.

Due to constraints in the availability of gas, which is the preferred feedstock for the production of nitrogenous fertilizers, and the near total dependence of the country on imported raw materials for production of phosphatic fertilizers, the Government has been encouraging Indian companies to establish joint venture facilities with buy-back arrangements in other countries, which have rich reserves of natural gas and rock phosphate.
Realizing the constraints of availability of gas in the country, the Government is also exploring the possibility of importing liquefied natural gas.

Government is also trying ways and means of making available naphtha to fertilizer companies at import parity price by the domestic oil companies.